

Making affordable housing happen in Surrey

Housing and planning working together in Surrey



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Surrey is widely known as an expensive county in which to buy a home and there is widespread concern about the need to enhance the supply of affordable housing in the County. This need for affordable housing has recently been highlighted by the SLGA publication 'Housing to Underpin Economic Success (2001)'. It has also been widely documented in various District housing needs studies and Local Plans over the years. Recent studies show that the problem has been getting worse and have highlighted the need for action to boost the supply of affordable housing in Surrey.

The planning system has a key role to play and all of Surrey's local planning authorities have policies seeking the provision of significant amounts of affordable housing. However, achieving such housing through planning powers requires an understanding of the range of available mechanisms as well as the complexities of the planning system. The planning system cannot effectively deliver alone and there is considerable need for joint working between the various professional disciplines involved in the development process. These include planning officers, housing officers, valuers and lawyers. Joint working of the kind described in this guide can ensure that full use is made of any opportunity which can be created or may arise.

It was with these issues in mind that the Surrey Planning and Housing Officers' Associations jointly commissioned consultants Oldfield King to prepare this guide. The guide aims to encourage the provision of affordable housing by promoting best practice and assisting those involved in the planning process to maximise the provision of affordable housing. The guide does not attempt to provide prescriptive solutions to specific issues. Rather it provides an overview in the context of the planning process. It covers the processes involved in securing affordable housing including policy formulation, assessing housing needs, the role of Registered Social Landlords and the use of legal agreements. The guide also provides a number of working examples and draws heavily from research and best practice across the County and beyond. It is hoped that the guide will also provide a useful signpost for practitioners to find more information on a particular topic when required.

The guide is aimed primarily at Local Plan, Development Control and Housing Officers involved in the process, with the aim of assisting them to obtain the maximum amount of affordable housing using the existing legal powers of the planning and housing systems. The guide encourages joint working between housing and planning officers and all those involved. It is very much hoped that this guide will prove a practical aid to those involved in the process of 'Making Affordable Housing Happen in Surrey' and that it will become an indispensable tool for everyone involved.



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Oldfield King Planning

Section 1

1.1

'The Government intends that everyone should have the opportunity of a decent home' (paragraph 1, PPG3: Housing). Local planning authorities are required to plan to meet the housing requirements of the community, including those in need of affordable and special needs housing.

1.2

PPG3 states that: 'A community's need for a mix of housing types, including affordable housing, is a material planning consideration which should be taken into account in formulating development plan policies and in deciding planning applications involving housing'.

1.3

Thus the provision of sufficient affordable housing is a key part of the Government's planning policy towards housing.

1.4

Delivering sufficient affordable housing, whether via the planning system or not, involves many players: local planning authorities, housing authorities (the 'enablers'), Registered Social Landlords (RSLs) (the main 'providers'), developers and landowners. A corporate approach towards enabling and providing affordable housing is urged by the Government, and as part of this approach, the Surrey Chief Housing Officers and the Surrey Chief Planning Officers have joined together to commission Oldfield King Planning to prepare this guide. Primarily for use by planning and housing officers in their day-to-day work, the guide is also relevant to the work of other players.

1.5

The guide concentrates on two particular aspects of the process: developing a policy framework and developing a corporate approach. Good practice on Section 106 agreement formulation is covered in a number of other studies and these are listed for further reference. 'Making Affordable Housing Happen in Surrey' aims to provide advice and good practice examples at all levels of the process, from policy formulation to negotiations on individual planning applications. It draws on research carried out across all districts and boroughs within Surrey, and from good practice examples elsewhere in the country. The guide is not intended to be prescriptive: Surrey is a diverse county with different issues facing different districts. However, all of the suggested approaches within the guide are worthy of consideration.

1.6

To follow is a summary checklist of points for consideration:

Checklist for making affordable housing happen in Surrey

· Consult 'Local Housing Needs Assessment: A Guide to Good Practice' in drawing up a brief for a Housing Needs Assessment (Section 2)	Policy planning/housing
· Spend time setting out the objectives in any brief for a Housing Needs Survey (Section 2)	Policy planning/housing
· Set up an inter-departmental working group to formulate brief for Housing Needs Survey (Section 3)	Policy planning/housing
· Ensure borough-wide targets for affordable housing reflect all categories of identified need (Section 3)	Policy planning/housing
· Ensure affordable housing is at the heart of the Structure Plan and Local Plan strategy, and development control procedures (Section 4)	Policy planning/housing
· Define affordable housing having regard to the local context (Section 5)	Policy planning/housing
· Assess whether 'exceptional local constraints' exist to merit the inclusion of site size thresholds below the standard size in Circular 6/98 (Section 6)	Policy planning/housing
· District Councils and the County Council should consider their policies towards disposal of land and property in the context of their corporate strategies and the overall need for affordable housing (Section 6)	Corporate aim



<ul style="list-style-type: none"> Identify and target sites for affordable housing and consider a policy which allows greenfield sites 'out of sequence' where substantial amounts of affordable housing will result (Section 7) 	Policy planning/housing
<ul style="list-style-type: none"> Consider applying an 'exceptions' policy to otherwise suitable employment sites (Section 7) 	Policy planning/housing
<ul style="list-style-type: none"> Ensure policies reflect the full range of supported housing needs (Section 8) 	Policy planning/housing
<ul style="list-style-type: none"> Ensure car parking standards reflect the lower car ownership rates of residents of affordable housing (Section 9) 	Policy planning/housing/highways
<ul style="list-style-type: none"> Develop a comprehensive list of performance indicators and monitoring mechanisms to enable output of policies and practice on affordable housing to be measured (Section 10) 	Policy planning/housing
<ul style="list-style-type: none"> Explore the opportunity of minimising public subsidy on section 106 sites in the local context (Section 11) 	Policy planning/housing
<ul style="list-style-type: none"> Local authorities should consult recent reports outlining good practice in the formulation of section 106 agreements and ensure their own agreements are framed to deliver the appropriate amount and type of affordable housing (Section 12) 	Planning, housing and legal
<ul style="list-style-type: none"> Apply rural 'exceptions' policies flexibly having regard to PPG 3 advice towards Green Belt sites (Section 13) 	Policy planning/development control
<ul style="list-style-type: none"> Institute training sessions to enable RSLs, housing, planning and other players to understand the respective roles (Section 14) 	Corporate aim
<ul style="list-style-type: none"> Consider identifying one planning officer as having the role of Affordable Housing Officer to act as a focus for enquiries about affordable housing issues (Section 14) 	Corporate aim

<ul style="list-style-type: none"> Ensure internal corporate working groups are in place to develop corporate strategic aims and targets (Section 14) 	Corporate aim
<ul style="list-style-type: none"> Develop internal reporting mechanisms to ensure housing department staff become aware of potential affordable housing sites at the earliest opportunity (Section 14) 	Corporate aim
<ul style="list-style-type: none"> Local authorities should ensure that suitable council-owned sites are identified for affordable housing (Section 15) 	Corporate aim
<ul style="list-style-type: none"> Planners need to be aware of 'Egan principles' and the requirement for RSLs to develop in accordance with these (Section 16) 	Development control
<ul style="list-style-type: none"> Planners need to be aware of the funding timeframes RSLs have to operate within and to facilitate the smooth running of planning applications to help ensure deadlines can be met (Section 16) 	Development control
<ul style="list-style-type: none"> Housing and planning departments should work closely to ensure that Local Plan policies and the aims of the Housing Strategy Statement mesh together (Section 17) 	Corporate aim
<ul style="list-style-type: none"> The production of Supplementary Planning Guidance on affordable housing is recommended to supplement the policies of the Structure Plan and Local Plan (Section 18) 	Policy planning/housing
<ul style="list-style-type: none"> Housing departments should operate a system of preferred RSL partners which is flexible and can be adapted to different circumstances as they arise (Section 19) 	Housing department



Section 2

2.1

Research recently carried out on behalf of Surrey County Council by the University of Cambridge has indicated that the need for affordable housing is increasing in the County. A number of factors are behind this including: rising house prices, fewer social housing units being provided and increasing levels of homelessness. In addition it has become apparent that there is a growing sector of 'intermediate' households, often key workers, who are unable to afford general market housing but are ineligible for housing within the social rented sector.

2.2

PPG3 recognises the importance of assessing housing needs at all levels: regional, county and district. Revised Draft Regional Planning Guidance has set an indicative estimate of affordable housing equivalent to between 46% and 48% of the overall housing provision for the region. In the deposit version of the Surrey Structure Plan Review 40% of the total housing provision for the County is indicatively estimated to be needed to meet affordable housing needs.

2.3

At district level PPG3 urges local planning authorities to work closely with housing departments to assess the range of needs for different types and sizes of housing across all tenures in their area. It is stressed that it is the assessment of housing need which will underpin any local plan policy seeking affordable housing in suitable housing developments. It is further stated that the assessment should include not only affordable housing, but also the needs of specific groups including the elderly, disabled, students and young single people, rough sleepers, the homeless and those who need hostel accommodation, key workers, travellers and occupiers of mobile homes and houseboats.

Good practice example

At Spelthorne Borough Council a step-by-step assessment using 'secondary' data (ie. readily available data including the waiting list and completion rates, etc) showed not only what the level of housing need was, but also how, given the characteristics of the size of site generally coming forward in the Borough, it was necessary to implement a policy in the local plan to reduce the site size threshold below that recommended in Circular 6/98.

2.4

All districts and boroughs across the County have carried out housing needs assessments and some are about to commission new surveys. The DETR (now DTLR) issued guidance on good practice in carrying out housing needs assessments (Local Housing Needs Assessment: A Guide to Good Practice, July 2000). This is an invaluable document for local authorities when considering commissioning a housing needs survey. Table 3.6 of the guide provides a helpful checklist of points to consider. Perhaps the two most important are:

i) spending sufficient time when establishing the objectives of the survey

2.5

The housing department will have its own specific objectives for carrying out a housing needs survey (HNS), for example to support its HIP bid. Equally, the planning department will have its objectives, for example to support proposed policies in the Local Plan. It is important therefore that both sets of objectives are catered for and fully explained in the brief to consultants.

ii) taking a corporate approach

2.6

In order to establish the objectives and prepare a brief for a consultant to carry out an HNS, the setting up of an inter-departmental working party is recommended as a good way to start.

Despite a High Court decision supporting the Secretary of State's ability, in law, to direct local planning authorities to include thresholds in line with his own guidance, the exercise carried out by Spelthorne remains a robust assessment of housing need which takes account of the supply side of the equation.

2.7

Because housing needs underpin local plan policies, PPG3 recommends that they need to be 'rigorous'. Objections to proposed local plan policies which deal with affordable housing are often made by developers and landowners, and these objections increasingly include a critical appraisal of the housing needs assessment prepared by the local authority. In Surrey, in recent years, there are examples where local plan Inspector's have both praised and criticised housing needs assessments.

2.8

Housing needs assessments should not only quantify the extent of housing need generally, but also the requirement for affordable housing. The definition of affordable housing used in assessments should be consistent with those set out in Local Plans and used in the Council's Housing Strategy Statement. Assessments of affordable housing should produce a single figure, broken down to address various categories of need, of affordable housing required over the plan period. It should be transparent how the site size threshold, any stated percentage of affordable housing required on windfall sites and the contribution of individual affordable housing proposals in the Plan will produce the assessed requirement. There should be no unexplained assumptions or arbitrary judgements unrelated to local evidence. In short, there must be a justifiable linkage between the assessment, the identified requirement and the supply side of the equation.



Section 3

3.1

Setting a borough-wide target for affordable housing in the Local Plan is something which PPG3 urges. It states that Local Plan policies should: 'Indicate how many affordable homes need to be provided throughout the plan area, including the different types of affordable housing needed.'

3.2

Whilst most current Local Plans in Surrey include a target, most do not divide this target into different types of affordable housing. A notable exception is Tandridge, which provides separate targets for subsidised and low cost market housing. Circular 6/98 lists different types of housing which *may* be considered as affordable: social rented, shared ownership, low cost market.

3.3

Each type may have a part to play in meeting identified needs and therefore it is necessary that the target, supported by a robust housing needs assessment, addresses how each element will meet an identified need.

3.4

In view of the proposed Surrey Structure Plan policy which recognises that the needs of Key Workers should be met (supported by PPG3), a similar approach to that undertaken in Hounslow should be considered.



Good practice example

In the Second Deposit of the Hounslow UDP, the overall target for affordable housing on appropriate sites is 50%. This proportion is further divided so that 35% is targeted for housing which is equivalent to the cost to occupiers no higher than the relevant rent-cap levels for social housing grant funded development. The remaining 15% is for 'sub-market housing' to meet the needs of households who would not be able to access social housing provided by the local authority or housing associations, but who cannot afford to house themselves in the local area.

Section 4

4.1

Since its inception, the planning process has involved decision makers in making judgements based on an assessment of three broad factors: social, environmental and economic considerations. The Government's principles for sustainable development are also based on these factors. Many local plans begin with a strategy chapter where the balancing of these factors sets out a framework for the more detailed policies which follow. Setting priorities and striking the right balance between these factors goes to the heart of good plan-making, and invariably the process will mean that difficult choices have to be made. By definition, every issue cannot be a priority and a ranking of objectives needs to be formulated. Indications are that the issue of affordable housing needs to be raised up the agenda in local plans so that its provision is firmly at the heart of the strategy.

4.2

The draft report by the Surrey Local Government Association entitled 'Housing to underpin economic success', February 2001, provides evidence to show how a lack of affordable housing adversely affects both economic and social objectives. For this reason alone, placing the need to provide sufficient affordable housing at the heart of development plan strategies is something which is likely to be applicable to most Surrey districts and the County Council.

4.3

At the planning application level, the ranking of priorities in the strategy section of the Local Plan can provide important direction. A particular criticism which emerged from the research was the way in which other planning benefits sought on particular sites led to the amount of affordable housing being negotiated downwards. This issue was also raised in the Cambridge University report. Developers report being faced with a 'shopping list of planning gain items' from planning authorities when negotiating planning applications without an understanding of the financial burden these requirements may have. It is important therefore that planning officers are clear, when negotiating with developers, which are the most important benefits necessary to allow the scheme to be permitted, and direction for this can be provided by prioritising in the Strategy Chapter.

4.4

Another way of prioritising planning benefits is via an explanation in Supplementary Planning Guidance (SPG). Surrey County Council is preparing SPG on planning benefits in order to provide direction and balance between the competing requirements of the various service providers.

Good practice example

The first policy in the deposit version of the Brent UDP, Policy STR, sets out a clear ranking of priorities for the plan:

'Development for business, industry and warehousing uses will be protected and promoted in Strategic and Borough Employment Areas. Outside these areas, housing (particularly affordable housing), is the priority alternative land use unless indicated otherwise in the plan'.

Section 5

5.1

Deciding what is affordable housing in a local context is something which PPG3 urges local authorities to do. Paragraph 15 states that: 'Local Plan policies for affordable housing should: define what the authority considers to be affordable in the local plan area in terms of the relationship between local income levels and house prices or rents for different types of households.'

5.2

Traditionally many authorities have chosen a generic definition of housing, for example regarding it as housing available to those households who cannot afford to buy or rent housing on the open market. Others have regarded it as housing which falls into the categories set out in Circular 6/98. Increasingly, using data gathered as part of a housing needs survey, authorities are devising policies which are responsive to the range of different needs. The Hounslow policy quoted above is an example of this approach. In London, the Mayor in 'Towards a London Plan', proposes an overall affordable housing target divided between additional social rented homes to meet the needs of those on low incomes, and new 'intermediate' homes for people on moderate incomes who cannot afford to buy at market prices. Policies supported by a sound housing needs assessment and which are responsive to a range of needs are likely to be more successful and withstand scrutiny at a Local Plan Inquiry.

5.3

Defining affordable housing in the light of local circumstances and placing these definitions in the local plan is the basis upon which negotiations will take place on individual sites. Indicating a target for different categories of housing need is a starting point. Ensuring that housing provided in each of these categories is affordable, having regard to the relationship between housing costs and income as assessed in the Housing Needs Assessment, will, in many cases, be a function of the Section 106 Agreement. To provide additional guidance on the mechanisms used to ensure affordability the use of Supplementary Planning Guidance can be helpful (see Section 18).

5.4

Please see 'Good practice example' for a good example of a definition of affordable housing.

Good practice example

In Barnet, affordable housing is defined as, 'housing that is provided and is permanently available at a cost to the occupier which is comparable with current rent or purchase prices of other registered social landlord accommodation in the borough of a similar size and quality which has been provided as permanent accommodation with the aid of subsidy'. The level of affordability to the housing authority will be taken into account in order to maximize the supply of affordable housing from the limited Social Housing Grant and the Housing Corporation.

This definition includes housing provided for key workers. However this should be provided in addition and not as a substitute for affordable housing provided for those in even more need. Shared ownership can play an important role in providing mixed communities and can be controlled to ensure that it is available in the long term. Low cost housing can make a contribution but is dependent on the level of cost, and is acceptable only if the price is limited to a level near to that provided by RSLs through rents, and is maintained in perpetuity.

Section 6

6.1

Registered Social Landlords (RSLs) or housing associations are the main providers of new affordable housing. In general they will develop in one of three ways:

- Purchasing sites on the open market and developing 100% of the housing as affordable
- Purchasing publicly owned sites at a discount and developing 100% of the housing as affordable
- Developing part of a private development site, the amount negotiated as part of the mechanisms set out in PPG3 and Circular 6/98.

6.2

The first route involves RSLs competing with private developers and in a rising market fewer opportunities become available. In Surrey, where land prices have consistently been well above the national average, RSLs are unable to compete.

6.3

The second source of land is a dwindling resource as public land has been steadily disposed of over a lengthy period. Although public bodies are under a duty to achieve 'best price reasonably obtainable' on the sale of land, this framework nevertheless provides some discretion to sell land for affordable housing. This can be facilitated by making the provision of affordable housing part of a corporate strategy, taking into account benefits such as the value of nomination rights and a reduction in the costs of providing temporary accommodation in the long run.

6.4

Debt free authorities, of which there are a number in Surrey, are in a more beneficial position when it comes to the use of any capital receipt from land sales. In effect the full amount can be reinvested as Local Authority Social Housing Grant (LASHG), and once returned from the Housing Corporation, can be used to fund capital projects.

6.5

Negotiating a proportion of housing on private development sites as affordable is an established part of the planning process, having been introduced in 1992 in PPG3. There are few signs of this approach altering. Thus it is fair to say that 'PPG3' sites are likely to be the most significant source of land for new affordable housing in the future. This is certainly the view of RSLs operating in Surrey.

6.6

Identifying sufficient sites on which an element of affordable housing can be negotiated will be a challenge, particularly in Surrey where there are relatively many land use constraints, for example extensive areas of Green Belt and Areas of National Beauty (AONB). Circular 6/98 sets out the threshold sizes for sites on which an element of affordable housing may be negotiated.

6.7

For Surrey these are:

- Housing developments of 25 or more dwellings or residential sites of 1 hectare or more, irrespective of the number of dwellings, or
- Where local planning authorities are able to demonstrate exceptional local constraints a lower threshold may be adopted, but not below 15 dwellings or 0.5 of a hectare (except in rural settlements of below 3,000 people).

6.8

In Policy H4 (b vii) of Regional Planning Guidance (RPG 9) local authorities are urged to consider whether there is a need to seek lower thresholds, ie. down to developments of 15 dwellings in urban areas.

6.9

Some local authorities, including Spelthorne in Surrey, have demonstrated a need to seek affordable housing on sites below the Circular thresholds. In Spelthorne, a threshold of 0.1 hectares was proposed but following a direction by the Secretary of State (upheld in the High Court) this has now been increased to 15 dwellings or 0.5 hectares.

6.10

As far back as 1994 the Panel into the Surrey Structure Plan considered the issue of threshold size, and commented that in Surrey, where sites are relatively small, sites of 1 acre (0.4 hectares) should constitute the appropriate threshold. This limit was introduced into the Explanatory Memorandum of the Adopted Structure Plan 1994. In the Deposit Draft of the Structure Plan (January 2001) it is recommended that thresholds should be set having regard to local circumstances. Given the wider constraints facing many Surrey authorities, and the policy direction in the RPG and Structure Plan, an assessment as to whether or not 'exceptional local constraints' exist is something each authority should assess. Given the situation in Surrey it can be expected that a threshold size of 15 dwellings will be appropriate in many instances, and it is possible that the need for thresholds below this level can be demonstrated in a number of authorities.



Section 7

7.1

Targeting identified housing sites is something urged by PPG3. Paragraph 15 states:

Local Plan policies for affordable housing should: 'identify suitable areas and sites on which affordable housing is to be provided and the amount of provision which will be sought'.

7.2

Policy H4 (a iv) of the draft revised RPG9 states:

Development Plans should: 'explain how the powers in Circular 6/98 (Planning and Affordable Housing) will be used to contribute towards meeting the local need for affordable housing, including setting indicative targets for the proportion of affordable housing on specific sites'.

7.3

Whilst the draft Structure Plan is aiming for 40% of all new housing to be affordable, given the relatively small nature of many development sites, it is likely that larger development sites will have to be targeted for a proportion of affordable housing significantly higher than this if more affordable housing is going to be achieved. In doing so, local authorities will have to be cognisant of the economic implications of placing a higher than normal target on certain sites.

7.4

Placing a target of 100% affordable housing on some sites might be justified, particularly where the site is in local authority ownership. A target on a Council owned site can also assist valuation: if the site is in effect limited to affordable housing only by virtue of a planning requirement, account of this factor will have to be taken in the valuation.

7.5

PPG3 places an emphasis on developing previously developed sites within the built up area before edge of town sites. We have already seen that many of these opportunities are likely to be of a size below the Circular 6/98 thresholds, and in many cases, will be too expensive for RSLs to obtain on the open market. To increase the supply of affordable housing, local authorities may wish to consider the following options:

- Identifying and allocating edge of centre sites (above the threshold) allowing them to come forward ahead of urban area sites if significant amounts of affordable housing are secured
- Applying an 'exceptions' approach, similar to the rural exceptions approach, to otherwise acceptable employment sites within the built up area.

7.6

Extending the 'exceptions' approach to other land uses may also increase the supply of land for affordable housing, community facility sites for example. Whilst it is often desirable to retain such sites for their preferred use, 'exceptionally' allowing affordable housing as the only alternative use can increase opportunities.

Good practice example

A parallel policy approach to that suggested above is Policy H2 of the Waverley Local Plan which exceptionally allows for 'windfall' sites to come forward early, when measured against a fixed supply target, in cases where a significant community benefit (including affordable housing) will result.

Good practice example

In Hammersmith and Fulham, for several years the Council has successfully operated an 'exceptions' policy on otherwise acceptable existing employment sites. Policy HO5(iii) works on the basis of only allowing 100% affordable schemes on employment sites which the Council would normally wish to see retained in employment use. This approach has been successfully defended at appeal. In effect it ring-fences such sites for the preferred use (employment) or for one exceptional use (affordable housing).

Section 8

8.1

Supported or special needs housing constitutes a range of housing for a range of different household types. Much of this housing is provided by RSLs and the Housing Corporation defines the housing types which fall within this category. PPG3 states:

'Local Planning Authorities should:

- Plan to meet the housing requirement of the whole community, including those in need of affordable and special needs housing.'

8.2

Whilst a number of Local Plans include policies which lend support to, for example, housing the elderly, few provide a positive policy encouraging housing for the full range of needs within the category.

8.3

Policies like the one recommended in Waverley will ensure that the aims of PPG3 and important needs are met.



Good practice example

Following objections by RSLs, the Inspector into the Waverley Local Plan has recommended that the Council introduce the following policy:

'Proposals for the provision of supported housing for those with special needs will be encouraged, subject to other Plan policies. Such developments will be acceptable in principle in residential areas and other locations within towns and settlements. Those individuals or groups who may require such accommodation will include young single people, students, the elderly (especially the frail elderly), the disabled (including people with learning difficulties or mental health problems),

the homeless, rough sleepers, key workers, those recovering from an addictive illness and women at risk, including those with children'.

'Supported Housing means subsidised rented or hostel-type accommodation provided by a bona fide housing association, group, society, charity, organisation or Local Authority. In most cases, and where the Council requires it, an Agreement or Unilateral undertaking made under Section 106 of the Act will be required in respect of the restricted tenure or occupation of the development before planning permission will be granted'.

Section 9

9.1

For a number of years Government guidance has pointed local authorities towards adopting policies which will lead to a reduction in the use of the motor car. As part of this move, PPG13, PPG3 and Circular 6/98 all point to the benefits which reduced car parking standards can have. Circular 6/98 states:

'In particular, local planning authorities should be flexible on car parking standards as car ownership rates are generally lower for occupants of affordable housing than for those of general market housing. This approach may make it easier for the developer to provide affordable housing'.

9.2

Research carried out on behalf of the Housing Corporation and the Guinness Trust shows the lower levels of car ownership of social housing households on a district by district basis. Local Planning authorities and the Surrey County Council should consider adopting car parking standards which properly reflect the differences between private and social housing. The implementation of such policies will lead to a more efficient use of land and create more affordable housing.



Good practice example

In the second deposit version of the Brent UDP parking standards for residential development are set as follows:

New dwellings	
1 bed	0.7 spaces
2 bed	0.9 spaces
3 bed	1.2 spaces
4+ bed	1.6 spaces

However, where RSL development is involved, an exceptional reduction can be made of up to 50% of the above standards.

Section 10

10.1

As the planning system moves from 'predict and provide' to 'plan, monitor and manage' a greater emphasis is being placed on monitoring the performance of plans. Without monitoring the performance of Local Plan policies and the objectives they seek to achieve, there would be no basis for managing change to the policies. PPG3 includes a specific section on monitoring affordable housing. Paragraph 19 states:

'Local Planning Authorities should monitor the operation and outputs of local plan affordable housing policies, and housing delivered on rural exception sites. They should work closely with their housing departments to establish arrangements for keeping accurate and up-to-date information on the amount of such housing, or (where this is exceptionally the case) contributions towards the provision of such housing, secured by the authority. This information should be included in the material housing authorities are required to provide the Government Regional Offices in the annual Housing Investment Programme exercise, to inform the assessment of their performance in their strategic housing role'.

10.2

We believe that there will be benefits if each borough/district collects and publishes information in a standard way so that data can be aggregated and published at the county level.

10.3

We suggest that monitoring mechanisms are put in place which cover the following:

- The number of affordable units granted permission per annum broken down by type (social rented, shared ownership, low cost ownership)
- The number of affordable units completed per annum broken down by type
- The proportion of the above provided on S.106 sites (and therefore the remaining proportion provided as 100% affordable housing schemes)
- The number provided as 'off site' units
- The amount of cash in lieu received per annum
- The amount of cash spent per annum and the number of resulting additional units provided
- The number of affordable units approved and constructed indicating whether or not Social Housing Grant/Local Authority Social Housing Grant was included
- An assessment as to whether the affordable housing target set in the Local Plan is being met (ie. a comparison with the overall housing completion rate)
- The number of empty homes brought back into use per annum, broken down by type.

Section 11

11.1

Some authorities, particularly in London, have taken the view that affordable housing provided via the planning system (ie. negotiated as part of S.106 sites) should *not* be funded by public subsidy but should be 'additional' to conventionally funded public housing. The basis for this is that if sufficient public resources were available to meet affordable housing needs in full, there would be no need for planning policies to secure affordable housing. The approach taken is that public subsidy, in the form of Social Housing Grant, is provided for developments which are being developed for 100% affordable housing. On Section 106 sites the developer is expected to discount the affordable housing by an amount which equates to the difference between the Total Cost Indicator (TCI) rate and the amount an RSL is able to raise as a mortgage. The amount an RSL can borrow is linked to the rents which it can charge, which in turn are controlled or 'capped' by the Housing Corporation. From this available data the 'gap' can be determined. Known as the 'Rental Stream Approach', and first developed by Tower Hamlets, a number of local authorities set out the relevant data in Supplementary Planning Guidance (see example below).

11.2

Support for the concept of 'additionality' can also be found in the Housing Green Paper. At paragraph 8.10 two separate mechanisms are highlighted for delivering affordable housing:

- Provision of public subsidy – Social Housing Grant – to support the development by RSLs
- The use by LPAs of their powers to require an element of affordable housing to be provided in the development of a site under the arrangements set out in PPG3 and Circular 6/98.

11.3

The distinction made in this paragraph seems to suggest that there should be no public subsidy provided in S.106 schemes. The example below from Tower Hamlets indicates how the Rental Stream formula works in practice.

11.4

The approach has, but only to a limited extent, been tested and supported by the courts, and the approach remains controversial as it can place a considerable financial burden on the developer. In the above example, the amount paid by the RSL equates to about 38% of TCI.

11.5

Some boroughs have considered that the approach will lead to fewer opportunities coming forward for affordable housing because the existing use value of many sites will outweigh the redevelopment value for housing. Whilst consideration of this approach may be appropriate for some authorities in Surrey, its adoption will necessitate careful justification.



Good practice example

What is TCI?

The Total Cost Indicator or TCI rate is set each year by the Housing Corporation. Broken down to apply to various unit sizes, it sets out the limit for the cost of providing units of affordable housing including the land purchase costs. Rates are banded to take account of varying costs in different parts of the country. Surrey districts are all in Band B, the second highest in the country. Social Housing Grant is made available as a percentage of the relevant TCI (known as the Grant Rate this changes each year but is usually within the range of 50%-60%).

Good practice examples

In Tandridge, the development at Caterham Barracks provided 96 affordable units (27.5% of the total development) at 100% TCI net of on-costs. The S.106 agreement ensured that the TCI levels used were those relating to the year in which the development was to commence.

In Reigate and Banstead, the S.106 Agreement for the development at Netherne on the Hill achieved affordable housing at 50% of TCI.

Section 12

11.6

Other approaches are being promoted which set the amount paid by RSLs as a percentage of TCI. Examples range from 50% to 100% of TCI, and in these examples Social Housing Grant is used to fill part of the funding gap.

11.7

Deciding what an appropriate TCI rate should be will depend on a range of factors but the fundamental one will be the actual costs of development. For example, where a development would cost 160% TCI, achieving the affordable housing at say 100% would suggest good value. However, this would only be the case if the housing achieved is genuinely affordable. Thus it can be seen that the TCI approach can be more distant from the concept of affordability than the 'Rental Stream Approach'.

11.8

In the Surrey context it is recommended that planning and housing departments carry out modelling exercises to establish an appropriate formula. Whilst the 'Rental Stream Approach' is transparent and the formula provides a degree of certainty for developers, if its application is likely to have the effect of preventing sufficient sites coming forward it will be counterproductive.

12.1

It is not the intention of this guide to provide good practice examples of affordable housing Section 106 Agreements; these can be found in other recent reports. This guide deals with the two most important aspects of securing affordable housing prior to the negotiation of a S.106 Agreement: developing a policy framework and developing a corporate approach. Without these elements in place negotiations at the S.106 stage become more difficult.

12.2

Where an element of affordable housing is negotiated as part of a private development site it is often the case that its provision is secured by agreement within the provisions of Section 106 of the Town and Country Planning Act 1990 (as amended) known as a 'planning obligation'. Agreements under the terms of this section provide the mechanism by which all manner of appropriate planning benefits can be lawfully secured, not just those relating to affordable housing. In housing circles the term 'a Section 106 site' has become synonymous with the provision of affordable housing as part of a private housing development site.

12.3

Over time the use of planning obligations in respect of affordable housing has become refined so that local authorities and developers agree terms which are clearly understood. Indeed many authorities have developed model agreements which are modified to take account of individual circumstances.

12.4

A number of studies have been undertaken in recent years which provide examples of good practice in the formulation of planning obligations. The report highlighted in the box overleaf is one such example. We recommend that local authorities consider this report and, where necessary, ensure key good practice elements are sought in their own agreements.

12.5

It must be remembered that a Section 106 Agreement is but a tool which secures certain obligations by agreement between the parties and more importantly it will be the development plan policies, which have been openly tested, which will enable robust agreements to be entered into.

Section 13

13.1

The 'exceptions' rural policy approach is well established in the relevant Surrey districts. Whilst the implementation and interpretation of the policy approach varies, more and more districts are following the advice in PPG3 which states:

'exceptionally very limited development of affordable housing within or adjoining existing villages or other small settlements may be acceptable and consistent with the function of the Green Belt.'

13.2

The Rural White Paper discusses a doubling of the Housing Corporation rural programme, that is a 40% increase in affordable homes in rural areas by 2003-2004 is planned. Planning authorities in Surrey should prepare to take advantage of this opportunity and in this context we recommend:

- Applying 'exceptions' policies flexibly
- Jointly with the housing department, informally identifying villages and sites where there may be the potential for the carrying out of a local housing needs assessment.

Good practice example

The development costs necessary to facilitate a notional affordable housing project is drawn from the relevant year's Total Cost Indicators (TCI) published by the Housing Corporation.

Unit size	Capped rent	Rent minus service charge	Yearly net rent	Mortgage funded by net rent	TCI	Funding gap
30m ² -35m ²	£48.00	£42.72	£2,221.44	£23,713.37	£61,600	£37,887
Assumptions – RSL borrowing rate 8%				Service charges (on-costs) 11%		

Thus in this example the amount that would be paid to the developer at an agreed specification by the RSL would be £23,713.37. This would apply to an on-site or off-site scheme. The formula also applies to working out the appropriate cash in lieu sum; in this example the developer would pay £37,887 as cash in lieu of the on-site unit.

Good practice example

Example of a report dealing with model S.106 Agreements

Oldfield King Planning Ltd (2001): Affordable Housing Model Section 106 Agreements/Conditions, Bristol City Council

Good practice example

Guildford Borough Council's local plan policy for affordable housing for local needs in rural areas may permit development of sites which lie outside but adjoining settlement boundaries.

Understanding the role of the various players

Section 14

14.1

From the research carried out, one of the key areas to emerge was the perception of a lack of understanding of the roles played by the various actors. For example, RSLs explained that there was often a lack of understanding from development control planners of what RSLs are and the constraints they work under. Planners expressed a concern that sometimes RSLs fail to understand the wider environment within which the planning process works. Linked to this is a feeling that opportunities for affordable housing are missed due to poor internal communication. These issues go to the heart of ensuring that a true corporate approach is developed.

14.2

At a general level we believe there is a need for authorities to arrange joint training workshops whereby planners, housing officers, RSL development staff, and perhaps council legal and valuation staff, can learn about each others roles. We would envisage this taking place over a half day session and perhaps there is scope for a Surrey wide event.

14.3

Another internal arrangement, which has been successfully implemented in one London borough, is for one planning officer in the authority to be given the role of affordable housing officer. Responsibilities could include:

- Negotiating affordable housing on PPG3 sites
- Offering advice to RSLs on planning matters, in essence being the main planning contact for RSLs
- Ensuring the housing department becomes aware of planning applications and pre-application discussions on proposals where an element of affordable housing may be possible
- Monitoring permissions and completions of affordable housing
- Ensuring that the planning department have an input into the Annual Housing Strategy Statement
- Ensuring the brief for any housing needs survey meets planning as well as housing department objectives.

Good practice example

In Runnymede a Housing Strategy Working Group meets on a quarterly basis. This comprises planning, housing and treasurers officers and covers: short and long term issues including how well various targets are being met, updates on changes in Government policy and a discussion of potential sites for affordable housing. It also discusses the brief for the Housing Needs Survey. In addition, the group was able to address the issue of planners feeding through potential development sites to Housing at pre-application and application stage to ensure Housing become aware of opportunities at an early stage. A system has been developed whereby a planning officer informs housing colleagues of such opportunities on a regular basis.

14.4

Our background research revealed a number of good examples of internal communication, at both the strategic level and at the individual planning application level.

14.5

Development Control officers have a pivotal role to play because often they will be the first local authority staff to become aware of potential opportunities for affordable housing. In addition, they will be in a position to ensure planning applications by RSLs are dealt with expeditiously. The checklist below is designed to assist development control officers when dealing with these issues:

- Be fully aware of the development plan policies regarding the provision of affordable housing and ensure a basic understanding of the requirements of the housing department.
- When an enquiry is made in respect of a prospective housing development by a developer, notify the relevant housing officer.
- Before attending a pre-application meeting with a developer, discuss with the relevant housing officer the corporate stance to be taken, in particular the amount and type of affordable housing required.
- Present a corporate view at meetings with developers and invite the housing officer to attend the relevant part of the meeting. In this way a degree of certainty can be expressed to the developer about what is corporately required by the Council.
- When registering planning applications for housing developments above or about the threshold, notify the housing officer of the potential opportunity.
- Be aware of private residential proposals which, although below the site area threshold, are on sites capable of producing a development which is above the unit number threshold, ie. where a scheme involving a higher number of units would be more appropriate in terms of density and this higher number would take the site above the threshold.

The Housing Department appraises all RSLs working in the Borough on a one or two year basis to monitor performance. This is an in-depth appraisal which has proved very beneficial to both sides.

- Be aware of the priorities as set out in the Housing Strategy Statement.
- If in doubt over issues of policy, contact the relevant policy planner and housing officer prior to expressing a view to developers.
- Understand the key differences between housing provided by the market and that provided by an RSL. Understand the particular constraints RSLs have to work within, in terms of timing, funding and development standards.
- Be particularly aware of the Housing Corporation Scheme Development Standards when considering developments proposed by private developers which include an element intended for transfer to an RSL.
- Place appropriate weight on schemes involving affordable housing, recognising that the community's need for affordable housing is a material planning consideration.
- Be prepared to be flexible in the application of standards in order to maximise affordable housing.
- Be prepared to 'fast track' proposals by RSLs where delay in the determination of an application could result in the loss of funding for a particular scheme. Liaise closely with the housing department over timing issues, informing housing at the earliest opportunity where a delay in the consideration process is unavoidable.

Good practice example

In Spelthorne there is a very close working relationship between the housing department and the planning policy section which has developed over a number of years. There are well defined corporate targets relating to affordable housing. Housing and planning functions both fall within the Directorate of Community Services and as such there is a clear structure for resolving any corporate tensions. This has helped to bring an understanding to development control planners of the aims of the housing department.

Development Control planners engage at an early stage with housing contacts when potential opportunities become known.



Section 15

15.1

Local authorities, including the County Council, are landowners, and therefore they are responsible for a significant land resource which has the potential for being used for affordable housing. In other parts of this guide we have looked at some of the ways in which a corporate strategy can be developed to ensure more publicly owned land is made available at a price RSLs can afford. In order to achieve this, greater co-operation between housing, planning and estates departments, at the local as well as at the strategic level, must occur.

15.2

For example we believe there is a pivotal role for the County Planning Department to play in linking the needs of individual districts with any programme of County land disposal. It is important that district housing departments, as strategic housing authorities, are involved in any land disposal anticipated at the County level, and the County Planning Department can facilitate this involvement.

15.3

Asset Management Plans are undertaken at different times at the district as well as the County level, and as a result land surplus to service requirements is then identified. It is important that housing departments are involved in these assessments to ensure that potential opportunities for meeting an identified need for affordable housing are not missed, and again the key link in this process can be the County Planning Department.

15.4

At the district level the housing department should be fully involved in any Asset Management Plan undertaken by its own estates department.



Section 16

16.1

One particular area where in general there appears to be a lack of understanding are the requirements set out in the Construction Task Force Report, Rethinking Construction (Egan Report). The 'Egan Principles', which include the encouragement of pre-assembly and off-site manufacturing techniques, are being embraced by RSLs so that 30% of the Housing Corporation's Annual Development Programme for 2001/2002 is expected to be compliant with Task Force principles. This proportion is expected to rise to 100% by 2004. A basic objective of the Task Force recommendations is to drive down costs and improve the quality and speed of the delivery of new developments. Providing housing in this way meets the aims of sustainable development. Two particular initiatives have commenced: AMPHION and Kick-Start. Both involve the maximisation of in-factory production of timber components to ensure high and consistent standards.

16.2

Planners have a part to play in assisting the implementation of these principles and planning policies and practice may require amendment to facilitate this. Planners need to become aware of the implications of Egan principles, and housing officers have a key role to play in explaining these to their planning colleagues.

16.3

Another area of concern relates to the rigid time frames RSLs sometimes have to operate within, particularly in respect of 100% affordable housing schemes involving Social Housing Grant. Confirmation of funding from the Housing Corporation on a scheme brought forward to take up slippage can often be made towards the end of a financial year and a start on site is usually expected before the end of March. This does not leave a great deal of time for preparing, submitting and having a planning application determined. The process can be eased by RSLs and planners discussing the principles of schemes prior to funding confirmation and for planners to ensure proposals are presented to the earliest possible planning committee. If a delay is anticipated, knowledge of this should be passed to the RSL and housing department as soon as possible.

Section 17

17.1

Each year housing authorities prepare a Housing Investment Programme for submission to the Department of Transport, Local Government and the Regions (DLTR). An annual Housing Strategy Statement is prepared to accompany this. Government guidance urges close co-operation between housing and planning departments in drawing up local plan policies and Housing Strategy Statements. In this context co-operation means proactive involvement.

17.2

The Housing Strategy Statement can be an important tool to supplement Local Plan policies. Policies in a Local Plan will be statutory for a number of years and the Housing Strategy Statement can be a mechanism for keeping policies up to date and responsive to changing circumstances. There are two areas in particular where this can occur:

- Keeping housing needs information up to date
- Setting out the house type mix required to meet need in the following year.

17.3

A policy in the Local Plan which directs reference to the Housing Strategy Statement is a good way of linking this information into the Local Plan.



Good practice example

In the second deposit of the Hounslow Unitary Development Plan (UDP) policy H.2.1 states:

‘The Council will seek to secure a mix of housing types and sizes for affordable housing, having regard to priority need as identified in the Housing Investment Programme (HIP) report, local circumstances and site characteristics.’

Section 18

18.1

The Government recognises that Supplementary Planning Guidance (SPG) can play a valuable role in supplementing plan policies and proposals. Substantial weight can be given to a SPG which derives from, and is consistent with, the development plan and prepared in consultation with the general public, business and other interested parties. Such guidance is a material consideration in decision making, although it does not have the same status as an adopted Local Plan.

18.2

A number of local authorities have prepared SPG on the topic of affordable housing setting out how the policies in their development plan will be implemented. This form of guidance can introduce certainty for those wishing to develop and can help keep development plans free of too much detail. However, it is important that any SPG on affordable housing is prepared in consultation with the main players and is formally adopted by councils. We believe there is scope for Surrey districts and the County Council to prepare SPG on affordable housing.

Good practice example

In Southwark, SPG has been prepared on affordable housing to bring up to date policies adopted in the 1995 UDP. It covers a number of areas including the need for affordable housing in the Borough, the process for negotiating affordable housing, the location for affordable housing and the approach to cash in lieu payments. It also sets out the principles applicable to the calculation of the developers contribution towards the provision of affordable housing (see The Rental Stream Approach in Section 11).

Section 19

19.1

An area of conflict which can arise is the selection of the appropriate RSL partner on private sites where it has been appropriate to negotiate an element of affordable housing. The difficulty usually arises where a local authority has a 'preferred partner' and the developer has a different RSL in mind. Each side may have good reasons for selecting their own partner; the housing department may have developed a good working relationship with a range of RSLs and may have appraised their performance over a number of years, and in some instances the group may be part of a joint commissioning agreement. Equally a developer may have developed a good relationship with a particular RSL on schemes in other authorities. In terms of Government guidance, planning and housing advice appears to pull in opposite directions on this issue. PPG3 and Circular 6/98 do not specify that a local authority has the choice to insist on a particular deliverer of affordable housing; it could not, as planning authority, refuse planning permission for a scheme on the grounds of the nature of the deliverer. This is because in planning terms the issue centres on need. Housing departments and the Housing Corporation, however, have a duty to ensure best value when offering Social Housing Grant and as such housing departments are in a strong position to select the RSL partner.

19.2

It is usual for local authorities to secure nomination rights for the tenants of RSL developments, and whilst nomination agreements are not part of section 106 agreements, integrating these requirements with the planning negotiations makes sense.

19.3

We suggest the following guidelines:

- Housing Authorities should operate a preferred list of RSL development partners, but this list should not be too large and other RSLs should not be ruled out if the Authority's criteria can be met
- Those on the list should be regularly assessed
- In schemes where no Social Housing Grant is involved, outside RSLs can be appropriate and the issue for consideration will be whether or not the housing being provided meets an identified housing need
- Selection of preferred RSLs, in schemes on larger PPG3 sites where Social Housing Grant is involved, should be based on an internal competition/selection process.

Good practice example

Spelthorne Borough Council

When the Council has resolved to grant planning permission it arranges between itself, the developer and a local RSL to simultaneously (a) issue the planning permission, (b) require the developer to transfer the relevant area of land/dwellings to the RSL, and (c) require the Council to enter into a Nomination Agreement with the RSL to secure nomination rights to the new dwellings and also to provide grant to the RSL toward the cost of purchasing the land/dwellings.

The RSL will be one of the Council's preferred partners who have been assessed as best meeting the Council's housing objectives.

Good practice example

In Runnymede the housing department has a preferred partner list of three developing RSLs. Each RSL undergoes a detailed appraisal each year to ensure it continues to meet key objectives. An 'internal auction' system has been introduced on larger schemes to decide which of the preferred partners offers best value, and the successful bidder is introduced to the developer. An RSL from outside the 'preferred partner' group has developed in the borough on a PPG3 site where no grant was being paid.

Section 20



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- Property Research Unit, University of Cambridge (2000): Housing Key Workers in Surrey, Surrey Local Authorities
- Surrey Local Government Association: Housing to Underpin Economic Success, Report, February 2001
- Spelthorne Borough Council, Planning Monitoring Report 2000

Good practice example

In Guildford the 'Guildford Homes Partnership' has been established whereby selected RSLs have chosen to work in partnership with the Council to fulfill different development tasks. The group includes a selection of principal partners, supported housing specialists, and smaller development/rural housing specialists.

Photographs courtesy of:

Apex Housing Group
Parkside Housing Group
Guildford Borough Council
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